

Corporate Audit Committee

Date: Tuesday, 24th April, 2018

Time: 2.00 pm

Venue: Kaposvar Room - Guildhall, Bath

Agenda

To: All Members of the Corporate Audit Committee

Councillors: Brian Simmons (Chair), Chris Dando, Andrew Furse, Barry Macrae and Chris Watt

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

Chief Executive and other appropriate officers
Press and Public

The agenda is set out overleaf.



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NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

Paper copies are available for inspection at the **Public Access points:-** Reception: Civic Centre - Keynsham, Guildhall - Bath, The Hollies - Midsomer Norton. Bath Central and Midsomer Norton public libraries.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

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<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

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Cabinet - Tuesday, 24th April, 2018

at 2.00 pm in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 7.

2. ELECTION OF VICE-CHAIR

To elect a Vice-Chair (if required) for this meeting.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is a **disclosable pecuniary interest** or an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair will announce any items of urgent business.

6. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

7. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

8. MINUTES: 8 FEBRUARY 2018 (Pages 5 - 10)

9. EXTERNAL AUDIT UPDATE (Pages 11 - 46)

10. INTERNAL AUDIT ANNUAL REPORT 2017/18 (Pages 47 - 56)

11. INTERNAL AUDIT ANNUAL PLAN 2018/19 (Pages 57 - 76)
12. ANNUAL REPORT OF CORPORATE AUDIT COMMITTEE (Pages 77 - 84)

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 8th February, 2018, 2.00 pm

Councillors: Brian Simmons (Chair), Andrew Furse and Barry Macrae

Independent Member: John Barker

Officers in attendance: Donna Parham (Divisional Director - Business Support) and Andy Cox (Audit Manager (Audit West))

Guests in attendance: Peter Barber (Grant Thornton) and Sophie J. Morgan (Grant Thornton)

171 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

172 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

173 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

174 DECLARATIONS OF INTEREST

There were none.

175 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

176 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

177 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

178 MINUTES: 5TH DECEMBER 2017

These were approved as a correct record and signed by the Chair.

179 EXTERNAL AUDIT UPDATE

Mr Barber introduced this item.

Ms Morgan commented on the Grant Certification Letter issued on the 25 January 2018. Members noted that as a result of errors identified the Housing Benefit subsidy claim for 2016/17 was amended and qualified, though the financial impact of the error was relatively insignificant in relation to the total subsidy receivable. The number of errors, however, was quite high. She drew attention to the details of errors identified (agenda pages 13-14) and the recommendation that the Council should, as part of its internal quality assurance process, increase its focus or level of testing in the areas where errors had been identified.

A Member said that while the Council was fully prepared to accept criticism and to strive to improve its processes, he was concerned that the manner in which the information about errors was presented could create an unduly negative impression. It was a question of balance: the total extrapolated error was exceedingly small when expressed as a proportion of the total Housing Benefit subsidy claim. Public concern should not be aroused when it was not justified. Mr Barber responded that the Member had raised a very valid point, and in fact the Certification Letter stated in its fourth paragraph: "The extrapolated financial impact on the claim, which we have reported to the DWP, was relatively insignificant in relation to the total subsidy receivable". However, the external auditors had a duty to report all Housing Benefit errors to the DWP, irrespective of their amount. Moreover the quantum and rate of error in Bath and North East Somerset was greater than he had seen elsewhere, and the direction of travel gave cause for concern, in that the number of errors had increased in successive years.

The Divisional Director – Business Support assured Members that the problems identified by the External Auditors were being addressed. The claims process had been reviewed, the amount of claim testing had been increased, with senior officers carrying out checks, there was now a training calendar for staff, and a quality dashboard had been introduced to ensure that improvements were made.

A Member said that the emphasis in the discussion had been on getting payments right from an accounting point of view. However, it should not be forgotten that it was important to get payments right in the interest of claimants, who needed these payments to get by, and did not have the flexibility in their personal budgets to be able to repay overpayments easily. It was important for them that both under- and over-payments were minimised. In response to a question from another Member, the Divisional Director – Business Support explained that overpayments made as a result of an error by the local authority could not be recovered from the claimant.

A Member asked whether there was any data showing how the roll out of Universal Credit was impacting on the error rates of different local authorities. Mr Barber replied that he was not aware of any. The Divisional Director – Business Support said that it appeared that local authorities would be left with the most complex cases and the most vulnerable claimants, which was one of the sources of error. Transfer to Universal Credit was not taking place at the rate expected. The Chair asked whether the application form for Universal Credit was actually too complicated for vulnerable claimants, and whether therefore they should not be expected to complete it by themselves, but with the assistance of an officer. The Divisional Director – Business Support replied that the Council did not calculate the rate of Universal Credit to be paid to claimants, but only the Housing Benefit element. She said that the way complex cases were handled needed to be reviewed.

Mr Barber commented on the External Audit Plan for the Council. A Member wondered why no significant risks had been identified in relation to Bath Tourism Plus; he understood, for example, that there were issues relating to staff pensions in the organisation. Bath Tourism Plus was a major earner for the Council, and he would have thought there were significant risks for the Council associated with them. He suggested the Committee needed assurance so that it was comfortable with Bath Tourism Plus's accounts being incorporated in the Council's accounts. Mr Barber referred to the information on agenda page 27. In terms of ISA (UK) 600 Bath Tourism Plus does not constitute a significant risk for the Council's accounts, and no specific audit work in relation to them was proposed. They might have an impact on the Value for Money opinion, for which Council services were assessed on the basis of risk.

Mr Barber said that the challenges facing the Council were shared by all local authorities, which could be addressed by a mixture of measures, including increases in Council Tax and non-traditional ways of delivering services. He referred to the situation of Northampton Council, which had declared bankruptcy. The Chair said that some neighbouring councils were in a much worse financial position than Bath and North East Somerset.

Mr Barber commented on the External Audit Plan for the Avon Pension Fund, for which Julie Masci is the auditor. The accounts for the Avon Pension Fund were included in the Council's accounts, but were subject to a separate audit procedure.

A Member noted that the materiality figure calculated as 1% of net assets remained the same as the previous year at £43.5m. He asked how often the assets were revalued. Mr Barber assured him that the Pension Fund assets were revalued every year. The previous year's actual figure was used as the materiality figure for the plan, but would be revised after the revaluation of assets at the end of the year before the accounts were audited. The Member asked about the impact of redundancies and the early payment of pensions on the Pension Fund. Mr Barber replied that redundancies reduced the contributions to the Fund and, depending on the circumstances of the individual, potentially increased pension payments. The redundancy business case should take into account all costs, including pension costs, if applicable. The Divisional Director – Business Support said that the impact of Pension Fund costs would be considered to calculate the payback period of each redundancy.

RESOLVED to note the report.

180 TREASURY MANAGEMENT STRATEGY

The Divisional Director – Business Support presented the report. She advised that there had been no major changes. The policy of funding capital expenditure from cash flow in preference to borrowing was being maintained because of continuing low interest rates on cash on deposit. Interest rates were monitored continually to ensure any borrowing was done at the best possible time. The Council was investigating the use of the CCLA Local Authorities Property Account, in which the Council would have to maintain an investment of £10m at all times.

RESOLVED to note:

1. the actions proposed within the Treasury Management Strategy Statement (Appendix 1) to February Council and the Investment Strategy as detailed in Appendix 2 to February Council;
2. the Treasury Management indicators detailed in Appendix 1.

181 ANNUAL GOVERNANCE STATEMENT

The Audit Manager (Audit West) presented the report. He said that the aim of this item was to update Members and to allow them to contribute to the process. He drew attention to the diagram showing the high-level methodology used for preparing the Annual Governance Statement contained in Appendix 1, and said that he had met Divisional Directors during December and January to discuss events of 2017/18 and to consider issues for inclusion in the Statement. The most important issue remained the financial challenge, as it had been for the previous two years. The previous day the Cabinet had received monitoring reports on the revenue and capital budgets and a paper on the 2018/19 budget, which would go forward to full Council. The current year end forecast for the 2017/18 budget was an overspend of £3.4m, with the largest overspend being in the Adult and Children portfolios. Measures are in place to mitigate the overspend, but further measures, such as use of reserves and capital receipts will be needed. In terms of savings £14.5m had to be delivered in 2017/18, of which £11.2m are on target to be achieved, but a balancing figure of £3.3m is at the moment unlikely to be achieved.

In terms of the 2018/19 budget there is a target of £26.8m savings, of which 61% are considered high risk. The Operational Plan for 2018/19, which sets out the key activities and projects which the Council hopes to deliver in this period (linked to the Corporate Strategy) had just been published.

The Divisional Director – Business Support said that Adult Social Services and Children's Services had been reviewed with the aim of making them more sustainable.

The Audit Manager (Audit West) said that other issues to be considered for inclusion were the new Virgin Care contract, which commenced in 2017; the cancellation of the East of Bath Park and Ride; and the Modern Libraries Programme, all of which significantly impacted on the Council's operations and resources.

A Member asked about the financial impact of the cancellation of the East of Bath Park and Ride, for which no assets had been created and for which he could not recall having seen a revenue reversionary notice. The Divisional Director – Business Support replied that a report on the revised capital programme had been included in the budget papers to Council. The Park and Ride Project was being replaced by a Strategic Transport Improvement Programme and some of the work done for the Park and Ride would contribute to that, though this had not been quantified yet.

A Member asked about the management of risks associated with the contracting out of services to companies, particularly those with very diverse businesses, such as Virgin, Capita and Carillion. The possibility of their failure was a reputational as well as a financial risk to the Council. The Audit Manager (Audit West) advised that an audit of the governance of the transfer of services to Virgin Care had recently been carried out and audits related to contract management were planned. The Member

wondered whether assurances about the robustness of these companies should also be sought from external sources, such as the companies' auditors. He noted that there might also be questions about the robustness of smaller organisations to which services were outsourced. He suggested this was an area the Committee should review. Another Member said that Councils had learned that entrusting the delivery of services to outside organisations, even if it did lower costs, did have inherent risks. He hoped that the Council had begun addressing these risks and was giving thought to some form of early warning system to detect when contracts might not be delivered. The Divisional Director – Business Support responded that continuity plans were being developed in case contracts failed.

Members agreed that the Committee should seek further assurance about the management of the risks associated with outsourcing contracts.

RESOLVED to note progress on the review, and to request that there should be an item about the management of risks associated with outsourcing contracts on a future agenda of the Committee.

The meeting ended at 3.33 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	24th April 2018	AGENDA ITEM NUMBER
TITLE:	External Audit Update	EXECUTIVE FORWARD PLAN REFERENCE: E
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – External Audit Update Report</p> <p>Appendix 2 – External Audit Fee Letter</p> <p>Appendix 3 – External Audit Chair of Audit Committee Letter</p> <p>Appendix 4 – External Audit Management (S151) Letter</p>		

1 THE ISSUE

- 1.1 The External Auditor will update progress against their plan and the Committee is also asked to note their Fee Letter and formal Audit Committee and Management Letters

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to note the report and appendices.

3 FINANCIAL IMPLICATIONS

- 3.1 Financial implications of the Audit Fee are already contained within existing corporate budgets.

4 THE REPORT

- 4.1 Appendix 1 details an update report on the work of the External Auditor as well as links to national reports on areas of potential interest to the Committee.
- 4.2 Appendices 2 details the Fee Letter for External Audit.

- 4.3 Appendices 3 and 4 detail the formal responses from the Audit Committee Chair and Management (S151) in response to formal questions from the External Auditor.
- 4.4 The External Auditor and Officers will provide a fuller verbal briefing on all these areas at the meeting.

5 RISK MANAGEMENT

- 5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are no new significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

- 6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

- 7.1 Consultation has been carried out with the Section 151 Finance Officer.

Contact person	Jeff Wring (01225 47323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Audit Progress Report and Sector Update

Bath and North East Somerset Council
Year ending 31 March 2018

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March 2018



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Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2018

Financial Statements Audit

We carried out the following interim audit fieldwork in January 2018:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The findings from our interim audit are summarised on the following slides.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We discussed our plan and timetable with officers.

The final accounts audit is due to begin on the 1 June 2018 with findings reported to you in the Audit Findings Report by the earlier deadline in July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We made our initial risk assessment to determine our approach in January 2018 and reported this to you in our Audit Plan at the February Audit committee

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

Meetings

We met with Finance Officers in December as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our annual Local Government workshop was held in February 2018. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

We hold Housing Benefit training in March which representatives of the Council attend.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	December 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	February 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p> <p>Our high level review of internal audit's overall arrangement is used to inform both the assessment for Bath & North East Somerset Council, and for North Somerset Council, to achieve audit efficiencies.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none">• Communication and enforcement of integrity and ethical values• Commitment to competence• Participation by those charged with governance• Management's philosophy and operating style• Organisational structure• Assignment of authority and responsibility• Human resource policies and practices	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

Results of Interim Audit Work (cont.)

	Work performed	Conclusions and recommendations
Review of information technology controls	<p>Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>This work will be undertaken in March/April 2018.</p>	<p>Conclusions and any recommendations resulting from the review of information technology controls will be communicated to the Corporate Audit Committee via the Audit Findings Report.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review.</p>	<p>No issues have been identified that we wish to highlight for your attention.</p>

Results of Interim Audit Work (cont.)

	Work performed	Conclusions and recommendations
Early substantive testing	<p>We have commenced substantive testing for months 1-9 on the following areas:</p> <ul style="list-style-type: none">• Operating expenditure• Employee remuneration• Other fees & charges• Grant revenues	<p>No issues have been identified that we wish to highlight for your attention.</p>

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Through a local lens: SOLACE summit 2017

The Industrial Strategy matters to places but places also matter to the Industrial Strategy.

This was a strong message coming out of discussions at the recent SOLACE (Society of Local Authority Chief Executives) summit where we facilitated 100 local authority CEOs and senior leaders to consider how the Industrial Strategy could be brought to life at a local level.

For some time now we have engaged in an ongoing and inclusive dialogue with communities and business, local authority and third sector leaders from across the country, to share aspirations, ideas and insight focused on building a vibrant economy for the UK. These discussions have helped to form the basis of our Vibrant Economy 'Blueprint for the UK' and they will go on to inform our recommendations to Government around a place-based approach to the Industrial Strategy.

This year's summit provided us with an invaluable opportunity to take this dialogue further.

We focused on the integral role local government will have in delivering the Industrial Strategy. Delegates applied a local lens to the national growth agenda, encouraging them to consider what strategies and approaches were already working in their place; what they could be doing more of to support growth in their area, and how they could steer the Industrial Strategy agenda from a local level.

Using the appreciative inquiry technique, we discussed the following questions:

What role would leaders and local institutions be playing if they were delivering positive outcomes from the industrial strategy?

Looking ahead and considering our diverse local authority agendas, the industrial strategy and surrounding policy landscape what aspects might work well for everyone?



You can see and hear what delegates thought on our [website](#)

Combined Authorities: Signs of Success

In her foreword to 'Building our Industrial Strategy' the Prime Minister states that the initiative "will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East."

Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the leveraging in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

[Click on the report cover to download and read more.](#)

Grant Thornton
An instinct for growth

Bond Dickinson

Combined Authorities:
signs of success



Grant Thornton Publication

Challenge question:

Is your Authority considering how the combined authority model may evolve?



Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



Grant Thornton Publication

Challenge question:

Is your Authority considering the risks and governance issues for its commercialisation agenda?



Cost Assurance

Did you know....

40

Number of Public Sector engagements to date

£125m

Annual spend analysed

£3.55m

Rebate opportunities identified

£1.1m

Fee income identified

2.84%

Error rate – rebates versus spend volume

55%

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton Challenge question:

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

Overview of the General Data Protection Regulation (GDPR)

What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

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Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

Questions for your organisation:

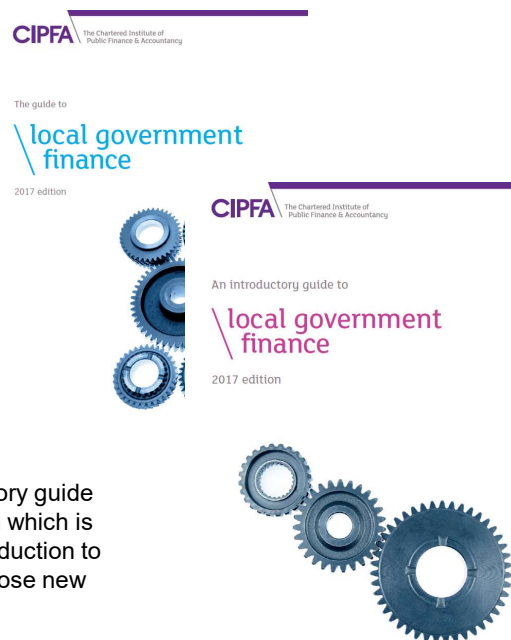
- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?

CIPFA publications

CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.



CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.

CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication 'Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies' (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA's guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

CIPFA Publication

Challenge question:

Are these publications of use to you?



DCLG Consultation

DCLG are currently consulting with Local Authorities and other interested parties on proposed changes to the prudential framework of capital finance.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The framework includes four statutory codes. Alongside CIPFA's Prudential Code and Treasury Management Code, the DCLG is responsible for Statutory Guidance on both Local Authority Investments and on the Minimum Revenue Provision.

Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

As a result the Department for Communities and Local Government is seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision for full implementation in 2018/19. This consultation closes on 22 December 2017 and may be accessed [here](#).

Local Authorities Investment Code

The Government recognises that there is great variation in the objectives and nature of local authority investment, including local economic regeneration projects, however it believes that local authorities need to be better at explaining “why” not just “what” they are doing with their investment activity.

That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

To this end a number of proposals are made including requiring local authorities to:

- prepare a Capital Strategy which includes clear disclosure of the Investment Strategy
- disclose the contribution that investment activities make to their core functions
- use indicators to assess total risk exposure
- apply the principles of prioritising security and liquidity over yield for investment in non financial assets (in the same way that they are required to do for financial assets)
- disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income
- disclose additional information where authorities borrow to invest in revenue generating investments
- Disclose steps to ensure expertise of key officer and councillors involved in the decision making process.

Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to the revenue account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP calculated retrospectively
- Introduces maximum useful economic lives for MRP calculations based on asset life

DCLG consultation

Challenge question:

- Is your **Chief Finance Officer** planning to respond to the consultation?



Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

CIPFA website links

<http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

<http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/p/pooled-budgets-and-the-better-care-fund-a-practical-guide-for-local-authorities-and-health-bodies-2017-edition>

DCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-final-outturn>

Mr Andrew Pate
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5 April 2018

Dear Andrew

Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £95,351.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Pension Fund audit

PSAA has also established a scale of fees for pension fund audits. The scale fee for the audit of the Avon Pension Fund is £22,180, which also reflects a 23 per cent reduction on last year. Our work on the pension fund will be undertaken by our specialist pension fund audit team, led by Peter Barber

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2018	23,837.75
December 2018	23,837.75
March 2019	23,837.75
June 2019	23,837.75
Total	95,351.00
Pension Fund audit	
March 2019	22,180.00

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November to February. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in April and work on the whole of government accounts return in July 2019.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November to January- planning January to February - interim	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to April	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Peter Barber	0117 3057897	peter.a.barber@uk.gt.com
Engagement Manager	Sophie Morgan-Bower	0117 3057757	sophie.j.morgan-bower@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner, via jon.roberts@uk.gt.com.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'P Barber', with a stylized flourish at the end.

Peter Barber

Engagement Lead

For Grant Thornton UK LLP

Resources

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Bath and North East Somerset Council
Bath, BA1 5AW
Our ref:

Email: jeff_wring@bathnes.gov.uk
www.bathnes.gov.uk

28/03/2018

Mr P.Barber
Grant Thornton UK LLP
55 – 61 Victoria Street
Bristol
BS1 6FT

Dear Peter,

**Audit of Bath & North East Somerset Council and Avon Pension Fund
Financial Statements for the year end 31 March 2018**

**Understanding how the Audit Committee gains assurance from
management**

Thank you for your letter of the 2nd February 2018

Sources of Assurance - The Committee takes reliance and assurance from
a number of sources –

Finance –

- The Council prepares a financial dashboard which provides a detailed analysis of each individual service's financial performance.
- This identifies the latest position, current issues or potential risks to meeting service budgets as well as a forecast to the end of the financial year.
- The dashboard provides a view both against revenue and capital budgets with individual commentaries on major projects or initiatives using a RAG status.
- The Accounts themselves are based on the financial ledger used by the Councils Agresso Financial Management System.
- This system is managed and monitored by the Council's Finance Service and has inbuilt into it sufficient controls to reduce or remove the risk of fraud and corruption, i.e. –
 - a) authorisation limits for individual officers; (i.e. journals)
 - b) controlled access to only authorised parts of the system;
 - c) reconciliation processes to balance control accounts
- The Councils finance service contains appropriate skilled and experienced staff to manage the production of the accounts as well

- as providing training for staff in services to use the financial ledger appropriately.
- The Committee takes assurance from the S151 officer regarding the processes underpinning the production of accounts.

Internal Audit –

- The Council provides an Internal Audit Service (in partnership with North Somerset Council) which reviews a range of core and high risk systems throughout the Authority.
- Planned reviews are based on a risk assessment (reasonable assurance model) which takes into account issues in connection with inherent risk of fraud and corruption both within the accounts and in services generally.
- The service works with the external auditor to ensure the appropriate key controls are tested on a regular basis.
- Audit testing is based on ensuring that reasonable assurance can be obtained around fraud and corruption as well as compliance with rules and regulations.
- The audit plan also contains a dedicated 'Counter Fraud' plan which is targeted at high risk areas as well as carrying out investigations where fraud or misuse of resources is suspected
- In addition fraud bulletins are produced which translate learning from real-life case studies and emphasise best practice to management.
- The Committee receives and approves the audit plan as well as receiving update reports on progress against the plan.
- The Committee is not aware of any actual or suspected frauds which would have any material impact on the accounts

Risk Management/Corporate Governance –

- The Council carries out an Annual Governance review which is designed to assess whether there are any significant issues in any of its key governance systems.
- The review is carried out independently by the Internal Audit service as well as involving an element of self-assessment from senior management.
- This includes formal comments from the Councils statutory officers, Head of Paid Service, S151 Officer & Monitoring Officer around compliance with laws etc and ethical behaviour.
- The Council has its own code of corporate governance and processes for declarations of interests as well as gifts and hospitality covering members and officers.
- The committee oversees the whole process and has an opportunity to provide its own opinion around any issues which they feel are important or significant.

- The review enables the committee therefore to be satisfied that it has reasonable assurance over whether there is compliance with statutory and regulatory functions, that risks are being managed and resources spent effectively and efficiently
- 1) **Workplan** - The Committee has a detailed workplan for the year which ensures that it considers:
- The summary financial statements and the auditor's report – with the opportunity to receive explanations from the Chief Financial Officer and the auditor
 - Audit plans for both external and internal audit – the latter includes a fraud testing plan
 - Periodic progress reports from external audit
 - Periodic progress reports from Internal Audit which highlight key areas of work that contribute to good internal control, the results of any fraud investigations and report on any communications to employees on fraud issues or code of conduct issues
 - All audit reports issued by external audit
 - Review of Treasury Management Strategy and outturn reports
 - Updates to the Council's Anti- Fraud and Corruption Strategy
 - Ad hoc reports on fraud awareness initiatives, which include the issue of fraud bulletins and the results of the National Fraud Initiative
 - An annual assurance report from internal audit providing an overall opinion on the Council's systems of internal control
 - And approves the Annual Governance Statement

The committee has considered within the Counter Fraud plan the key outcomes from the report on Protecting the Public Purse which includes the checklist for those in governance to assess the extent to which we have sound governance and counter-fraud arrangements that are working as intended.

I also deliver an annual report on the Committee's work to Full Council which provides further opportunity for consideration of the effectiveness of internal control.

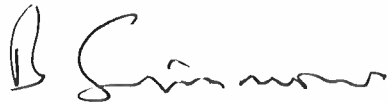
I am confident that I have the opportunity to gain sufficient oversight of management processes to gauge their effectiveness in assessing the risk that the financial statements may be materially misstated due to fraud, promoting effective internal control and enabling the prevention or identification of fraud. I am assured that the processes are working well.

- 2) **Fraud** - I have no knowledge of any actual, suspected or alleged frauds, other than the minor ones reported to the Committee via internal audit's regular progress reports.

- 3) **Compliance** - The Audit Committee relies on the work of internal audit undertaking specific reviews to ensure compliance with laws and regulations. In addition as part of the preparation of the Annual Governance Statement, Chief Officers complete an assurance questionnaire which specifically asks them to confirm that they are not aware of any non-compliance with laws, regulations and the Constitution or of any legal or financial issues relating to their department. The Annual Governance Statement is reviewed by the Audit Committee.
- 4) **Claims** - I am not aware of any potential claims against the Council that are material in relation to the Accounts.

I have also completed the appendix to your letter – please see attached – which provides further information regarding the assurance the Committee is able to rely on.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'B Simmons', with a stylized flourish at the end.

Cllr Brian Simmons – Chair of Corporate Audit Committee

**Response from Audit Committee Chair, Bath & North East Somerset Council
(Including response for Avon Pension Fund)**

Fraud risk assessment

	Auditor Question	Response
1	Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	The work of the finance service and internal audit provides assurance that material misstatement due to fraud is not occurring.
2	What are the results of this process?	S151 Officer & Internal audit have provided assurance that appropriate arrangements are operated to deter and detect fraud which include the provision of appropriate internal controls.
3	What processes does the Council have in place to identify and respond to risks of fraud?	Audit plan which is agreed by the Audit Committee includes a Counter Fraud Plan and most audit reviews consider Fraud & Corruption risks. Review & Investigation of NFI Data Whistleblowing Policy. Anti-Fraud and Corruption Strategy.
4	Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	To my knowledge (and as informed by management and the Head of Audit) I am not aware of any specific frauds (risks), or areas with a high risk of fraud where fraud has been identified.
5	Are internal controls, including segregation of duties, in place and operating effectively?	I have received assurances from internal audit that internal controls are operating satisfactorily through their reports.
6	If not, where are the risk areas and what mitigating actions have been taken?	I am informed by the Head of Internal Audit of areas where improvements have been recommended and the progress in implementing such improvements.
7	Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	I am not aware of any such areas. I rely on internal audit to bring such issues to the attention of the Audit Committee.
8	Are there any areas where there is a potential for misreporting?	The Financial Reporting process and internal controls and governance processes minimise the potential for misreporting.
9	How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	Reports from the Head of Audit to the Committee. Approval of the Counter Fraud Plan & Anti-Fraud & Corruption Strategy.

	Auditor Question	Response
10	What arrangements are in place to report fraud issues and risks to the Governing Body?	The Audit Committee receives reports from the Head of Internal Audit which highlight any fraud issues, if any exist, none in this year.
11	How does the Council communicate and encourage ethical behaviour of its staff and contractors?	<p>Staff are reminded from their induction course and on a periodic basis of the Code of Conduct and the various sections within it and the need to declare any relationships (financial and non financial) which staff may have with contractors employed by the council. Reminders are done formally through the Monitoring Officer and disseminated through management team meetings and via email and intranet.</p> <p>The Whistle blowing policy applies to staff, members, suppliers, contractors, volunteers and anybody acting on behalf of the council. The independent staff counselling service has agreed to act as a 'signpost' for anybody who wishes to raise any concerns they may have, anonymously.</p> <p>Participation in the NFI data matching exercise and messages on payslips.</p> <p>There is also an organisational development programme which support positive values and behaviours.</p>
12	How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	<p>Through my role as Chair both at Committee and in my other roles as a Member.</p> <p>Publication of Fraud Bulletin through Council News on the Intranet, always endorsed by the Chair of the Audit Committee.</p> <p>No significant issues have been reported.</p>
13	Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	I am not aware of any such relationships or transactions but each year all Chief

	Auditor Question	Response
		Officers and Statutory Officers are required to make declarations regarding such issues as part of the closure of the accounts.
14	Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2016?	I am not aware – through assurances from the Head of Internal Audit - of any specific fraud which would require specific reporting to the Audit Committee or to the External Auditor.

Law and regulation

	Auditor Question	Response
15	What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	Decision reports require legal and financial implications to be signed off. The work of Legal and Democratic Services and Internal Audit includes a focus on compliance with law and regulation and the Annual Governance Statement covers this area in detail.
16	How does management gain assurance that all relevant laws and regulations have been complied with?	Decision Making reports to Cabinet and Council. S151 Reports Internal audit reports. Whistle blowing procedures. The Annual Governance Statement and Assurance Framework
17	How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Internal Audit Reports. Annual Governance Statement.
18	Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016?	None that I am aware of.
19	What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	General monitoring of legal work i.e. we receive 'letters before action'. Risk registers.
20	Is there any actual or potential litigation or claims that would affect the financial statements?	None that I am aware of.
21	Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	None that I am aware of.

Bath and North East Somerset Council and Avon Pension Fund

Responses from Management:

Auditor question	Response (For APF as well)
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2017/18?	Continued reductions and uncertainty in Government Grant Funding and delivery of the Council's approved savings plans. WOE Devolution and creation of new Mayoral Combined Authority including move of WOE/LEP arrangements within the new MCA at the end of the previous financial year.
Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes and no significant changes.
Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	No
How would you assess the quality of the Council's internal control processes?	Reasonable – the work of internal audit, finance teams and legal services provide assurance to support this. However, budget reductions and increased demand in some service areas have increased the level of risks and further processes to scrutinise spend and contracts has been put in place.
How would you assess the process for reviewing the effectiveness of internal control?	Reasonable – the work of internal audit provides assurance along with the Head of Internal Audit Opinion and Annual Governance Statement.
How do the Council's risk management processes link to financial reporting?	The Council has a well-established system of dashboard reporting for revenue and capital budgets which takes account of this. Financial risks are assessed as part of the budget setting process. Risks were outlined within the budget setting report and will continue to be monitored and reported through a new monthly dashboard and regular budget monitoring reports.
How would you assess the Council's arrangements for identifying and responding to the risk of fraud?	Reasonable – the work of internal audit provides assurance that material misstatement due to fraud is not occurring.
What has been the outcome of these arrangements so far this year?	To my knowledge (and as informed by management and the Head of Audit) I am not aware of any specific frauds, or areas with a high risk of fraud where fraud had been detected

Auditor question	Response (For APF as well)
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>The Council prepares a monthly financial dashboard which provides a detailed analysis of each individual service's financial performance.</p> <ul style="list-style-type: none"> - This identifies the latest position, current issues or potential risks to meeting service budgets as well as a forecast to the end of the financial year. - The dashboard provides a view both against revenue and capital budgets with individual commentaries on major projects or initiatives using a RAG status. - The Accounts themselves are based on the financial ledger used by the Councils Agresso Financial Management System. - This system is managed and monitored by the Council's Finance Service and has inbuilt into it sufficient controls to reduce or remove the risk of fraud and corruption i.e.: – <ul style="list-style-type: none"> a) authorisation limits for individual officers; (i.e. journals) b) controlled access to only authorised parts of the system; c) reconciliation processes to balance control accounts
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	None (as informed by management and the Head of Audit)
Have any reports been made under the Bribery Act?	None (as informed by management and the Head of Audit)
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<ul style="list-style-type: none"> • Decision Making reports to Cabinet and Council • S151 Reports as necessary • Internal Audit Reports • Whistle Blowing procedures • Annual Governance Statement and Assurance Framework to Audit Committee • The Council's Operational Plan • Revenue Budget Setting and Capital Programme Reports
As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	<p>Staff are reminded from their induction course and on a periodic basis of the Code of Conduct and the various sections within it and the need to declare any relationships (financial and non-financial) which staff may have with contractors employed by the council.</p> <p>Reminders are done formally through the Monitoring Officer and disseminated through management team meetings and via email and intranet.</p> <p>The Whistle blowing policy applies to staff, members, suppliers, contractors, volunteers and anybody acting on behalf of the council. The independent staff counselling service has agreed to act as a 'signpost' for anybody who wishes to raise any</p>

Auditor question	Response (For APF as well)
	concerns they may have, anonymously. Participation in the NFI data matching exercise and messages on payslips.
What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	As set out in the Annual Accounts
Is there any use of financial instruments, including derivatives?	Financial Instruments are held in accordance with the Approved Treasury Management Strategy, a year end list has been provided. The Council holds no derivatives
Are you aware of any significant transaction outside the normal course of business?	None
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	None
Are you aware of any guarantee contracts?	None. The Council has provided a number of guarantees in respect of the pension deficit for admitted bodies when staff transfer under TUPE e.g. the West of England Combined Authority.
Are you aware of allegations of fraud, errors, or other irregularities during the period?	None (as informed by management and the Head of Audit)
Are you aware of any instances of non-compliance with laws or regulations or is the Council on notice of any such possible instances of non-compliance?	None of which I am aware
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	None of which I am aware
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	None of which I am aware
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	As set out in the Annual Accounts and supporting notes

Auditor question	Response (For APF as well)
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	20 NHS foundation trusts are involved in litigation to claim NDR charitable relief affecting 49 local authorities including Bath and North East Somerset Council. The LGA is acting for the affected authorities and it is confident that the claim will be unsuccessful. Our assessment is that the risk of success of the claim is low and therefore no financial provision has been made in the accounts. However, the issue will be noted as a Contingent Liability within the accounts.
Although the public sector interpretation of IAS1 means that the financial statements should be prepared on a going concern basis, management are required to consider whether there are any material uncertainties that cast doubt on the Council's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?	Specific assessment will be undertaken and recorded
Can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	In-house legal support from the Council provided in relation to general queries and appeals against pension decisions. Osbourne Clarke is instructed on more specialist issues. There are no open litigation or contingencies from prior years.
Can you provide details of other advisors consulted during the year and the issue(s) on which they were consulted?	Ernst and Young – as Financial Business Partners various financial advice and due diligence.
Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	None as informed by the Head of Legal Services and Head of Audit

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	24th April 2018	AGENDA ITEM NUMBER
TITLE:	Audit & Assurance Annual Report 2017/18	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Plan Position Statement		

1 THE ISSUE

- 1.1 This is the Annual Report of the Internal Audit function detailing progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the Internal Audit Annual Report 2017/18 and formal opinion on the internal control framework.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

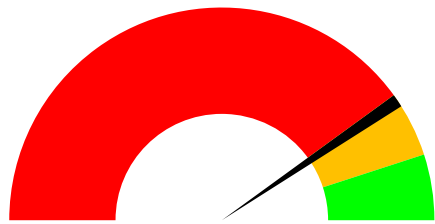
- 4.1 The Annual Internal Audit Plan for 2017/18 was presented to the Corporate Audit Committee on the 13th April 2017. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the Council's internal control environment.
- 4.2 The Committee receives verbal updates at each meeting and a formal update on delivery against the plan on the 5th December 2017. This report builds upon that update and the chart overleaf records the position as at 31st March 2018.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

Client - Bath & North East Somerset

Period - April 2017 - March 2018

1. AUDIT PLAN COMPLETED



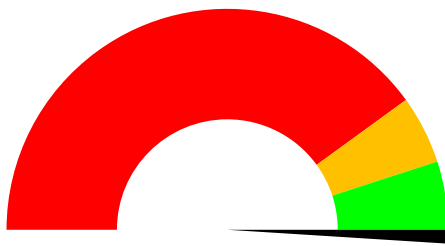
80%
Green Target = 90% of annual plan
Amber Target = >80% of annual plan

2. AUDITS COMPLETED IN PLANNED TIME



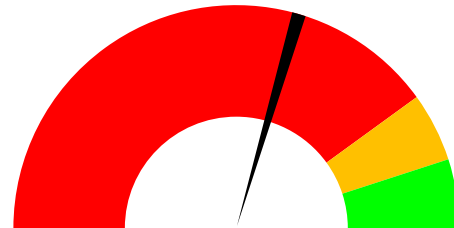
92%
Green Target = >90%
Amber Target = >80%

3. CUSTOMER SATISFACTION



100%
Green Target = >90%
Amber Target = >80%

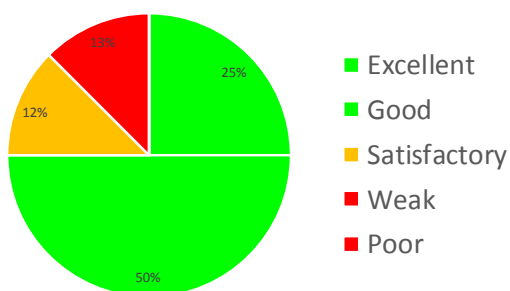
4. IMPLEMENTATION OF RECOMMENDATIONS



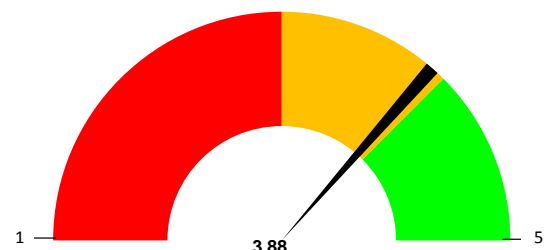
58%
Green Target = >90%
Amber Target = >80%

5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED

Current Position



Current Average Assurance Level

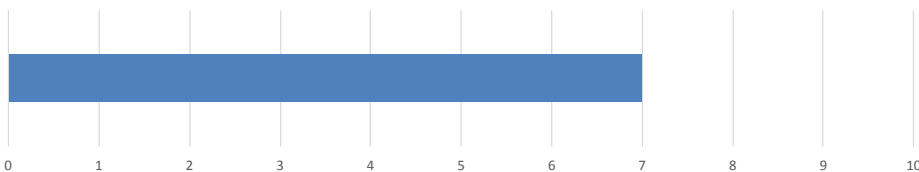


Previous Years Average Assurance
2016/17 3.57
2015/16 3.42

6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



Equating to
94.8
Audit Days
2017/18

8. NEW UNPLANNED WORK



Equating to
28.7
Audit Days
2017/18

PERFORMANCE SUMMARY

4.3 COMPLETION OF THE INTERNAL AUDIT PLAN

- 4.3.1 The performance dashboard shows that 80% of the plan is 'substantially completed'. This includes work that is either finalised or at reporting stage.
- 4.3.2 When the half year position was reported in December we had 'substantially completed' 35% of the Audit Plan and were predicting 80% of the plan would be completed subject to no further unplanned work or vacancies.
- 4.3.3 Within the last quarter there was another whistleblowing case and investigation but following use of our strategic alliance with the Devon Audit Partnership we were able to ensure at least 80% of the plan was completed at year end.
- 4.3.4 The primary reasons for the under-performance against the plan was –
- a) Level of Unplanned Work/Investigations exceeding contingency by over 20%
 - b) Vacancy of a Senior Auditor for six months
 - c) Total Sickness of 73 days
- 4.3.4 Appendix 1 records the estimated status of each audit review within the 2017/18 Audit Plan (40 audit reviews) at the end of March 2018. It also records the outcome of audits which were 'unplanned' or outside of the agreed audit plan.
- 4.3.9 The loss of productive auditor days through sickness and the vacancy reconciles to the 7 audits in the Audit Plan which were postponed to 2018/19 or cancelled.

4.4 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

- 4.4.1 The percentage of audits completed within the initial allocated days is recorded at 92%. This figure was calculated based on audits recorded as being at 'Final' Report stage.
- 4.4.2 There was a single audit (Salary Sacrifice) at 'Final' Report stage which exceeded the allocated time. In addition there were another 3 audits at or near completion which had exceeded the initial time allocation (Bath Quays South – Governance; Client Charges; and Foster Care).
- 4.4.3 For all 4 audits, the reason(s) for going over time was considered reasonable by Audit Management. The importance of completing work within assigned number of days is monitored closely by the management team.

4.5 CUSTOMER SERVICE

- 4.5.1 Customer service and providing value to clients is essential to the provision of a quality internal audit service. We are pleased to report that all questionnaires completed through the Internal Audit Computer System recorded 100% good or excellent responses and this matched feedback received verbally from clients.

4.5.2 Client feedback is initially reviewed by the Audit Manager and the scores and comments are communicated onto the relevant auditor.

4.5.4 A number of comments received from clients are recorded below:

“very fair and the iterative nature of finalising the report enable us to gain comfort in the recommendations”. *WECA Compliance with Procurement Regulations*

“Audit was carried out as contract was coming to an end and service being transferred back in house, but findings would be useful for any future contract of a similar nature.” *Recycling Audit*

“Thorough audit which was professionally handled.” *Salary Sacrifice*

“Tracey was very professional and worked around our day to day delivery of the service. She was very helpful in explaining the audit process and did a thorough job. Her recommendations were delivered in an inclusive and balanced way. Thank you”. Registrars – Income Reconciliation

4.6 IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

4.6.1 The dashboard records the implementation of high risk rated recommendations at the time the audit was ‘Followed-Up’ at 58%. Of the 20 audits ‘Followed-Up’ during the financial year, 10 had high risk rated recommendations. For 7 of the 10 audits all high recommendations were implemented.

4.6.2 A summary of the 3 audit reviews where high risk recommendations were not initially implemented is as follows –

4.6.3 **Use of Council Vehicles** – The follow-up results of this audit was discussed at the December 2017 meeting of this Committee.

A further meeting was held with the DD Environmental Services in January 2018 and he confirmed that he stated that the recommendations recorded in ‘Use of Council Vehicles’ and the recent ‘Fleet Management’ Audit will be implemented by the Group Manager – Neighbourhoods. He also agreed to liaise with the Head of Place Directorate Support to ensure that all audit recommendations were incorporated into the Environmental Services Risk Register so actions for implementation can be easily monitored.

4.6.4 **Adult Direct Payments** – A weakness was identified in that one third party, who manages client direct payments, did not have a formal contract which enabled the Council to monitor Direct Payment conditions.

The recommendation was simply for a contract with relevant clauses to be agreed. However, the required action was complicated by the responsibilities being managed by Virgin Care. Management provided an updated position in July 2017 and stated that the plan was for Virgin Care to procure the new Direct Payments support services model which will be in place from 1st April 2018. This area of responsibility will continue to be monitored and an audit of Children Direct Payments is scheduled for 2018/19.

4.6.5 S106 & Community Infrastructure Levy – The ‘follow-up’ of the April 2016 report was scheduled for the beginning of 2017/18 based on the schedule of actions agreed by management. However, it was agreed with the Divisional Director Development to provide her with a position statement on the administration of S106 funding throughout the Council.

A Briefing Paper (incorporating the follow-up) was issued in January 2018 and this concluded that whilst some work has been undertaken by Planning Service to improve the management of Section 106 monies there were still concerns with the Council wide approach.

Following a meeting with the DD Development in January 2018 a formal response was received stating that additional work was necessary from the Planning Service jointly working with the Finance Service to monitor the use of S106 funding through the Exacom Computer System and directives being made that all Council Services should make full use of the Exacom system.

4.7 INVESTIGATIONS/ WHISTLEBLOWING

4.7.1 During the year 2017/18 the service has been involved in seven formal investigations.

4.7.2 Three of these investigations occurred in the first half of 2017/18 and were reported to Corporate Audit Committee on the 5th December 2017. As stated in the December report two ‘whistleblowing’ cases in the Place Directorate identified that the internal control framework or compliance with procedures needed to be improved and Internal Audit were satisfied that sufficient action has been taken to resolve the issues highlighted. The 3rd investigation considered a series of contracts in the People and Communities Directorate and the controls around payments made against capacity delivered. The 2018/19 Audit Plan will assess actions taken following the investigation report being presented to management in August 2017.

4.7.3 Four investigations commenced in the second half of the financial year.

a) The first considered internal control weaknesses linked to delay in processing the October 2017 B&NES payroll. The payroll payments to Bank Accounts were delayed due to the failure to identify and act on a notification that the BACs file submitted had not been accepted and processed. The Internal Audit work identified the need to improve procedural guidance to ensure that the relevant actions were taken by Payroll staff.

b) The second was related to monies being taken from a school by a member of staff. This case is currently subject to an appeal following a February 2018 Disciplinary Hearing so no further details of the case can be reported at this time.

c) The third related to conflicts of interest and following discussion with the Police no further action was taken.

d) The fourth related to procurement issues surrounding a significant highways contract which could not be substantiated and no further action was taken.

4.8 ASSURANCE LEVEL PROVIDED

4.8.1 Of those audit reports carried out in 2017/18 (planned and unplanned) 87% of 'Final' Audit Reports issued have recorded an audit opinion of satisfactory to excellent (between Assurance Levels 3 and 5) which is an improvement on previous years.

4.8.2 Two audits recorded an Assurance Level 2 'Weak Control Framework' - School Transport (Special Education Need Disability Pupils) and Libraries West (Consortium Contract Management).

4.8.3 School Transport (Special Education Need Disability Pupils) – The Audit identified that –

a) Processes were not in place to consider/review the existing travel recipients entitlement or the full range of entitlement options.

b) A lack of training/procedural guidance for new Officers in post which also impacted on entitlement to transport decisions and compliance with Council Travel Policy/Statutory Guidance.

c) Financial management was considered to be weak due to issues with budget setting, limited involvement of key staff in budget monitoring and insufficient budget updates based on known financial information.

All the Internal Audit recommendations were accepted by management and the audit is due to be 'followed-up' in the first quarter of 2018/19.

4.8.3 Libraries West (Consortium Contract Management) – The Audit identified that –

a) The Lead Authority (Somerset County Council) was not fulfilling its contractual role in administering good governance of Libraries West

b) Council monitoring of the performance of Libraries West was insufficient partly based on the failure of the lead authority to provide adequate, accurate and timely information.

Management agreed to implement the two high level audit recommendations and the 'Follow-Up' exercise has commenced.

4.9 UNPLANNED AUDITS / WORK

4.9.1 The total amount of time spent on unplanned work was 123.5 days which exceeded the planned contingency by over 20%.

4.9.2 This included the seven investigations, referred to in section 4.7; three items of 'unplanned' audit review work, Software Asset Management Licensing; Accountable Body – WECA functions & balances and Public Protection income monitoring along with a number of ad-hoc grant claims which required certification work throughout the year.

4.10 COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS

4.10.1 In December 2017 a report was presented to the Committee on the Public Sector Internal Audit Standards and based on this report the Committee approved a revised Internal Audit Charter.

4.10.2 The Internal Audit Charter states that the Chief Audit Executive will report periodically to the Corporate Audit Committee regarding Internal Audit conformance to the Code of Ethics and the Standards.

4.10.3 The December report also informed the Committee of the internal review / assessment of compliance with the Standards that had been carried out. A formal external independent validation has now been completed and we are pleased to inform the Committee that the validation exercise has concluded general conformance with the Standards, which is the highest rating we can receive.

4.10.4 We are awaiting the final written confirmation from the assessor and will provide a fuller update at the next Committee meeting.

4.11 FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK

4.10.4 The Chief Audit Executive is required to give an opinion on the internal control framework.

4.10.5 Statement of the Head of Audit West –

In forming an opinion on the internal control framework I have considered the work of the Audit & Assurance function as well as consideration of the wider governance framework, other assurances we can place reliance on and performance of the Council.

It is my opinion that at the current time the Council's internal control framework and systems to manage risk are reasonable.

- Reasonable assurance can be provided over the council's systems of internal control, helping to ensure corporate priorities can be achieved;
- Agreed policies, Financial Regulations and Contract Standing Orders are broadly being complied with;
- Managers throughout the council are aware of the importance of maintaining adequate and effective governance arrangements;
- Appropriate arrangements are operated to deter and detect fraud and investigations did not identify any systemic failures;
- There were no fundamental system failures or control breakdowns to business critical functions;

The continued reduction on council budgets places further pressure on all services to respond and manage risk in a proportionate way – including Internal Audit - and the Council's financial position remains very challenging. A robust Internal Audit service is a vital component of the Council's governance systems

and provides the third and final line of defence in relation to the internal control framework.

The Audit Committee's support in ensuring their support of our work and maintaining effective corporate governance is appreciated and I would like to thank all members of the committee for their input and guidance over the past year.

5 RISK MANAGEMENT

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

- 6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

- 7.1 The report was distributed to the S151 Officer for Consultation.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	<i>Reports to Corporate Audit Committee – 13th April 2017 Internal Audit Plan - 2017/18 & 5th December 2017 Internal Audit Annual Plan (2017/18) – Six Month Performance Update</i>
Please contact the report author if you need to access this report in an alternative format	

Audit Reviews Position Statement (as at 31st March 2018)
Appendix 1

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
17-001B	Council Companies - Governance	Substantially Completed			
17-002B	Your Care Your Way - Transition of Service Provision - Governance / Systems	Briefing Paper	N/A	N/A	N/A
17-003B	Your Care Your Way - Contract Management	Postponed	N/A	N/A	N/A
17-004B	Pension Investments (Project Brunel) - Transition Plan	Substantially Completed			
17-005B	Your Care Your Way - Data Management	Postponed	N/A	N/A	N/A
17-006B	Your Care Your Way - Project Plan Implementation	Work In Progress			
17-007B	Bath Quays (South) - Governance	Briefing Paper	N/A	N/A	N/A
17-008B	IT - Physical Security	Substantially Completed			
17-009B	Business Continuity & Disaster Recovery	Substantially Completed			
17-010B	IR35 Compliance	Final Report	5	0	0
17-011B	Bath Quays (North) - Expenditure	Final Report	5	0	0
17-012B	Salary Sacrifice (certification)	Final Report	4	3	3
17-013B	Heritage - Financial Reporting & Monitoring	Final Report	5	0	0
17-014B	Delivery of Council Savings Programme	Substantially Completed			
17-015B	Project Initiation Document Process	Postponed	N/A	N/A	N/A
17-016B	School Theme - Procurement / Purchasing Arrangements	Cancelled	N/A	N/A	N/A
17-017B	Liquid Logic - Client Charges	Draft Report	3	9	Awaited
17-018B	Liquid Logic - Payments to Providers	Final Report	3	8	8
17-019B	Pension Administration - Benefit Calculations (Transfers & Aggregations)	Final Report	4	6	6
17-020B	Libraries - Consortium Contract Management	Final Report	2	2	2
17-021B	iTrent / Payroll - Input and Processing	Final Report	4	2	2
17-022B	GLL Contract Management	Draft Report	4	1	Awaited
17-023B	Asset Planning - Property	Cancelled	3	7	7
17-024B	Information Governance - General Data Protection Regulation - Readiness Assessment	Draft Report	4	2	Awaited
17-025B	Purchasing Cards - Policy / Data Analytics	Briefing Paper / Testing	N/A	N/A	N/A
17-026B	Data Analytics	Briefing Paper / Testing	N/A	N/A	N/A
17-027B	School Transport - Special Education Need Disability Pupils	Final Report	2	7	7
17-028B	NNDR Debt Recovery	Substantially Completed			
17-029B	IT Asset Management - Inventory & Insurance	Final Report	4	2	2
17-030B	Payroll - Team Redesign and Control Framework	Draft Report	3	5	Awaited
17-031B	Public Health - Allocation of Funding and Expenditure Certification & Reporting	Postponed	N/A	N/A	N/A
17-032B	Bus Gate Enforcement	Substantially Completed			
17-033B	Fleet Management Traded Service	Final Report	3	7	7
17-034B	Housing Services - Disabled Facilities Grants	Final Report	5	2	2
17-035B	Registrars - Income Reconciliation	Final Report	4	3	3
17-036B	Foster Care	Final Report	4	9	9
17-037B	Waste Service	Postponed	N/A	N/A	N/A
17-038B	Local Energy Tariff	Draft Report	4	0	0
17-039B	Children Safeguarding - Child Referrals	Draft Report	3	5	Awaited
17-040B	Section 106 - Expenditure Records	Briefing Paper	N/A	N/A	N/A
17-202B	Software Asset Management – Licensing	Draft Report	4	4	Awaited
17-204B	Accountable Body - Transfer of Function & Balances to WECA	Final Report	4	4	4
17-303	Pensions Governance - Code of Practice 14	Final Report	4	3	3
17-304	Pension Administration - Employee Contributions	Draft Report	4	6	6

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Bath & North East Somerset Council			
MEETING:	Corporate Audit Committee		
MEETING DATE:	24th April 2018	AGENDA ITEM NUMBER	
TITLE:	Internal Audit Plan - 2018/19		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1 – Internal Audit Annual Plan 2018/19			

1 THE ISSUE

1.1 This is a report detailing the proposed Internal Audit Plan for 2018/19.

2 RECOMMENDATIONS

2.1 The Corporate Audit Committee is asked to:

- Approve the Internal Audit Plan for 2018/19

3 FINANCIAL IMPLICATIONS

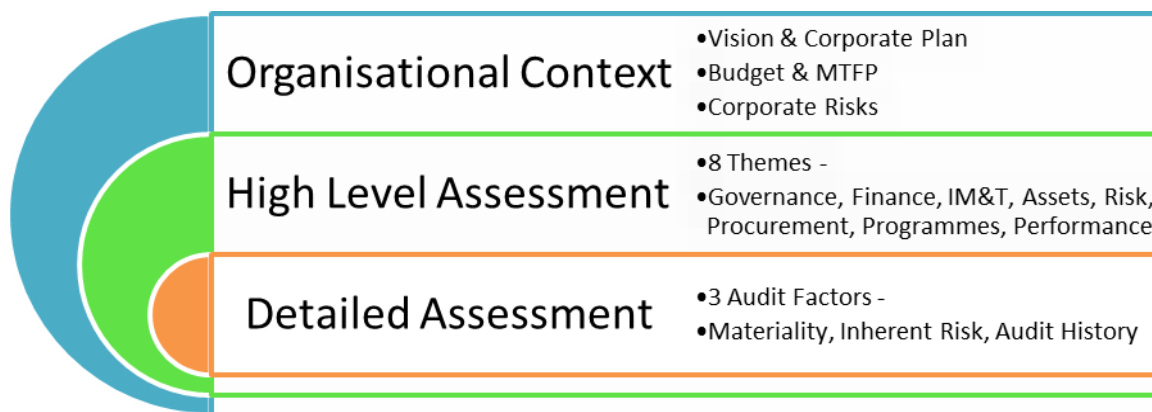
3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

4.1 Internal Audit Annual Plan 2018/19 (Appendix 1)

4.2 The Public Sector Internal Audit Standards require Internal Audit to prepare a risk-based plan and this is attached at Appendix A.

4.3 The Plan has gone through a wide series of consultation including with Statutory Officers, Strategic and Divisional Directors and as detailed to the Committee previously we use the reasonable assurance model to compile the plan of which the essential elements are as follows –



4.4 Notwithstanding the assessment, specific circumstances (such as a significant reputational issue or request of S151 Officer or Senior Management Team) may on occasion mean that a low scoring topic is nevertheless included in the Plan.

4.5 In addition to completing the Internal Audit Reviews, Audit West will -

- Provide support to the corporate governance framework within the Council including completing the Annual Governance review work required to publish the Council's Annual Governance Statement;
- Complete 'Follow-up' reviews to verify the implementation of Internal Audit Review recommendations.
- Provide support to assess the Council's risk management framework;
- Carry out the Co-ordination and Investigation roles to complete the work required through the Cabinet Office Data Matching 'National Fraud Initiative';
- Provide advice on systems of internal control including Council policies and procedures. This is particularly important when systems and processes are being developed or changed;
- Provide support to Services on carrying out investigations in relation to financial irregularities. This may require Audit staff to take on the Investigating Officer role in compliance with the Council's disciplinary procedures;
- Provide a service to verify the accuracy of specific grant claims and when required provide assurance to the Council's Chief Executive or other officers who are required to 'sign-off' Claim Certificates.

4.6 The Plan will remain fluid during the year to enable the service to respond to the Council's changing risk environment and the Committee will receive an update on performance during the year.

5 RISK MANAGEMENT

5.1 The preparation of the audit plan is carried out following a risk assessment using a number of factors. Commentary and opinion in relation to past performance has used the outcome of audit and other inspection work to inform the risk assessment and there is nothing significant to report.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report.

7 CONSULTATION

7.1 The report was distributed to the S151 Officer for consultation.

Contact person	Jeff Wring (01225 477323) Andy Cox (01225 477316)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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APPENDIX A

Audit & Assurance Plan 2018/19

Delivering Independent Assurance to Local Government

Page 61



CONTENTS

1. Introduction & Our Role.....	Page 3	4. Reasonable Assurance Model.....	Page 6
2. Scope and Scale of the Council.....	Page 4	5. Areas for Review.....	Page 9
3. Key Priorities.....	Page 5	6. Methodology, Approach & Standards.....	Page 11

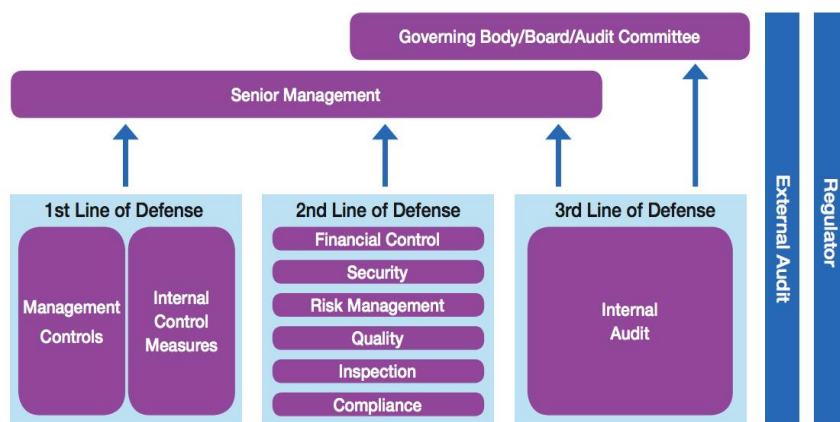
1. Our Role

Introduction

Bath & North East Somerset Council strives to deliver excellent services to local people and make its area *the* place to live, invest, and visit in the UK. The Council has recognised through its Corporate Plan the importance of excellence in resource management and sound governance as fundamental to achieving its priorities. This will require significant transformation to be a modern, innovative and accessible organisation.

Audit West fully recognizes its need to be flexible and agile in the face of the significant changes affecting the whole of the public sector and meet the needs of its stakeholders. Independent assurance which is strong but supportive can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Council is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

Three Lines of Defence Model



By being independent of management Audit West maintain the third line of defence and we continue to do this effectively by working with all our stakeholders - especially the Audit Committee, Statutory Officers and Senior Management – to improve the service we offer but also to provide an independent voice in supporting service change and transformation.

We also aim to offer continued value to all our clients based on the following key priorities –

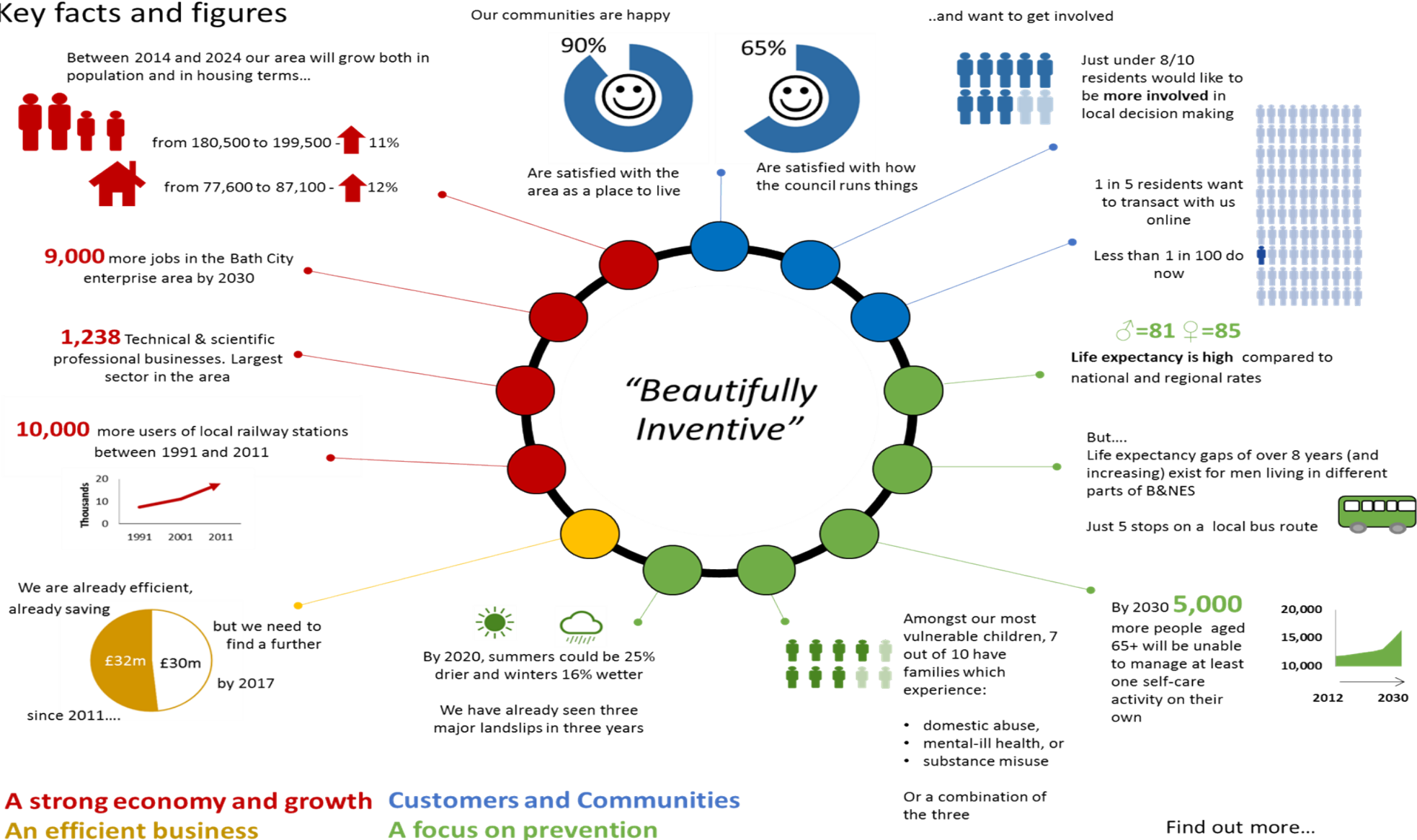
- **Use of our Reasonable Assurance Model**
- **Maximising Use of Technology**
- **Investment in Skills**
- **Offering complimentary assurance services**
- **Providing Value for Money**

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2018/19.



2. Scope & Scale of Council

Life in Bath and North East Somerset Key facts and figures

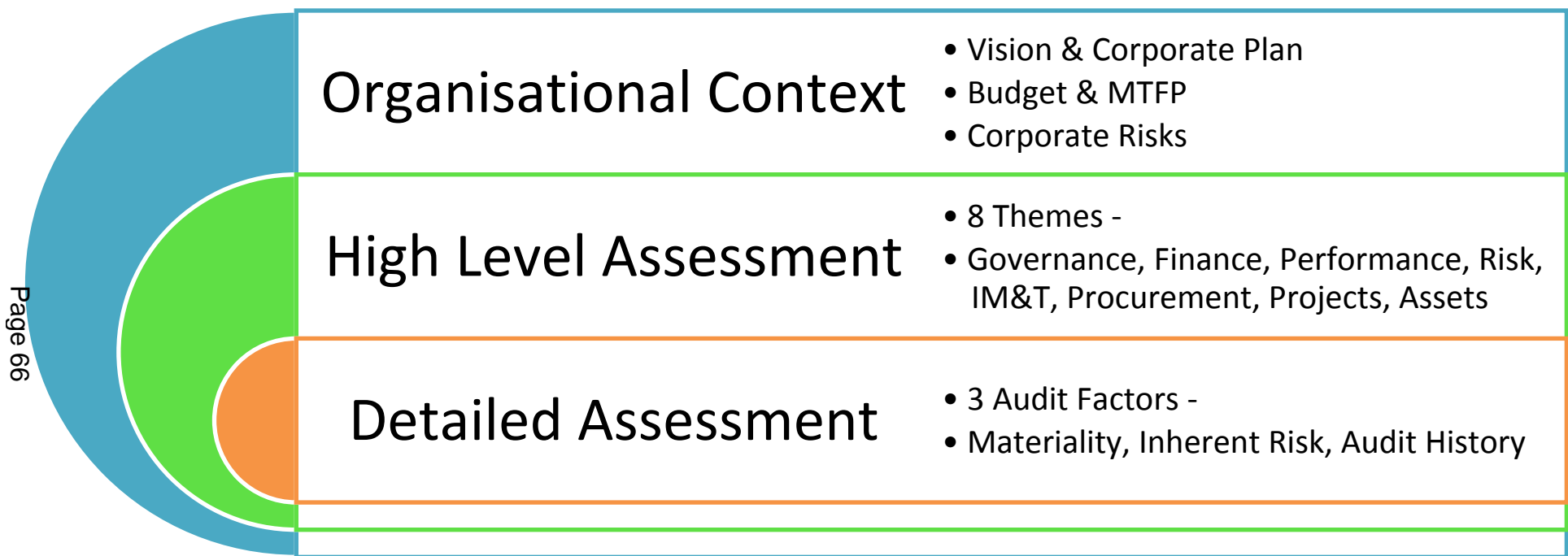


3. Key Priorities for Bath & North East Somerset

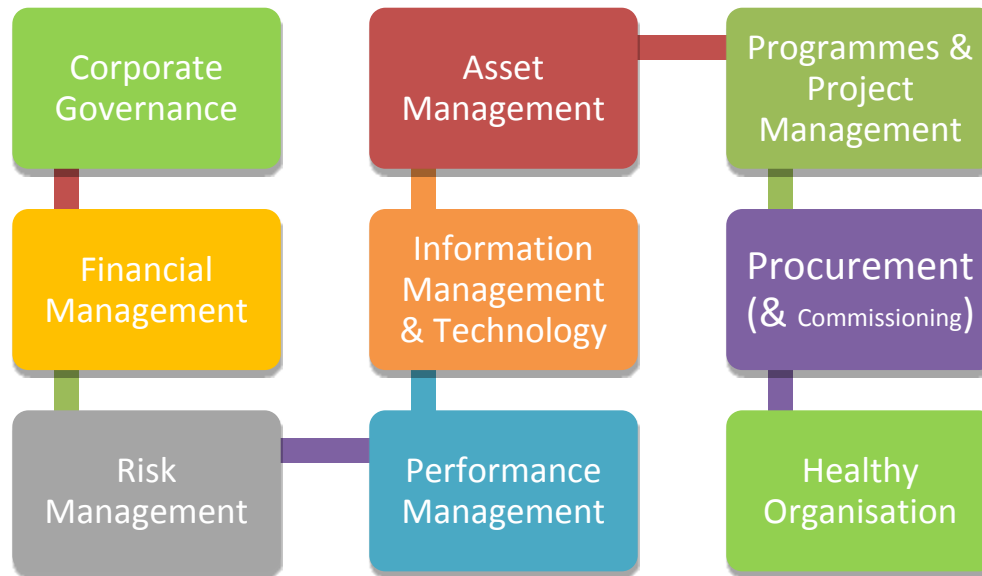
Corporate Strategy priorities	'Putting Residents First' manifesto commitments
A strong economy and growth	<p>Improve transport</p> <p>New homes and jobs</p> <p>Cleaner, greener and healthier communities</p>
A focus on prevention	<p>Invest in our young people</p> <p>Greater choice and independence for older people</p>
A new relationship with customers and communities	Putting residents first in everything we do
An efficient business	Tackling wasteful spending

4. Reasonable Assurance Model – Producing the Audit Plan

The model is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Head of Audit to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year. This involves considering current context of the Council, what a ‘healthy organisation’ requires to operate effectively and then assessing independently against this in a staged process as follows –



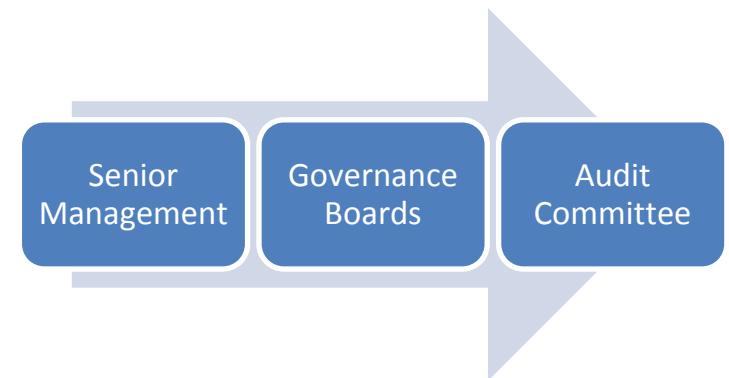
HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE



DETAILED ASSESSMENT CRITERIA



CONSULTATION & APPROVAL



Results of our Reasonable Assurance Model Risk Assessment –

HIGH		FINANCIAL MANAGEMENT			
		INFORMATION MANAGEMENT	ASSET MANAGEMENT		
		PROGRAMME & PROJECT MANAGEMENT	PROCUREMENT (& Commissioning)		
	CORPORATE GOVERNANCE	PERFORMANCE MANAGEMENT	RISK MANAGEMENT		
	HIGH	LEVEL OF ASSURANCE			LOW

5. Internal Audit Plan 2018/19 Areas for Review

Audit Area	Reasonable Assurance Theme	Directorate
Property Disposals (links to Asset Planning 2017/18 planned audit review)	Asset Management	Resources
Property - Capital Maintenance Budget Allocations and Property 'Compliance' responsibilities (Focus on Depots)	Asset Management	Resources
Code of Practice 14	Corporate Governance	Resources
Companies Governance	Corporate Governance	Corporate
Annual Governance Statement Review	Corporate Governance	Corporate
Counter Fraud	Corporate Governance	Corporate
Schools Financial Value Standards Certification	Corporate Governance	Corporate
Virgin Care - Contract Management	Financial Management / Procurement (Commissioning)	People
HB Subsidy / Benefits Claim Process	Financial Management	Resources
Payroll Self Service - Starters / Leavers / Payment requests	Financial Management	Resources
Children's Direct Payments	Financial Management	People
Investments - Residual	Financial Management	Resources
Payroll	Financial Management	Resources
Payroll Reporting - Variance Analysis controls	Financial Management	Resources
Mental Health - Section 117 Funding (CCG)	Financial Management	People
Reablement Contract Management	Financial Management / Procurement (Commissioning)	People
Waste / Recycling Service	Financial Management	Place
Highways - Contract Management	Financial Management / Procurement (Commissioning)	Place
Bank A/C Management	Financial Management	Resources
Financial Ledger – Reconciliations	Financial Management	Resources
Financial Ledger - Control A/C's	Financial Management	Resources
Payroll Compliance - Statutory Returns	Financial Management	Resources
Council Tax - Collection Fund - Collection Rates and Return Completion	Financial Management	Resources
Allocation of Funding and Expenditure Certification & Reporting	Financial Management	People
Homelessness	Financial Management	Place
Financial Ledger – Journals / Virements	Financial Management	Resources
Apprenticeship Levy	Financial Management	Resources

Audit Area	Service or Reasonable Assurance Theme	Directorate
Financial Ledger – Suspense A/C's	Financial Management	Resources
Data Analytics	Financial Management	Resources
Council Tax Support Scheme	Financial Management	Resources
Haycombe Cemetary & Crem (Bereavement Services)	Financial Management	Place
Grant Certification - including Connecting Families	Financial Management	Corporate
Independent Examiner - Alice Park Trust	Financial Management	Corporate
Bath Tourism Plus	Financial Management	Place
IT - Service Level Management	IM&T	Resources
IT - Patch Management	IM&T	Resources
YCYW Data Management	IM&T	People
IT - User ID and Access Management	IM&T	Resources
IT - Applications - User ID and authentication	IM&T	Resources
IT - Supplier Management	IM&T	Resources
IT- GDPR - Phase 2 - Implementation & Compliance	IM&T	Resources
Data Integrity - Admin	Programme & Project Management	Resources
IT - Cyber Security	Risk Management	Resources
Risk Management Strategy	Risk Management	Corporate
Follow- Ups, including:	IM&T	Resources
<i>IT Data Backup</i>	IM&T	Resources
<i>IT Network Management</i>	IM&T	Resources
<i>IT – Inventory & Insurance</i>	IM&T	Resources
<i>IT – Change Management</i>	IM&T	Resources
<i>Pro-Contract</i>	Procurement (Commissioning)	Resources
<i>Better Care Fund Reablement</i>	Financial Management / Procurement (Commissioning)	People
<i>Creditor Payments – Late Payments</i>	Financial Management	Resources
<i>Safeguarding Children – LA Designated Officer</i>	Risk Management	People
<i>Contract Management – Extra Care Housing</i>	Financial Management / Procurement (Commissioning)	People
<i>Debt Management – Council Tax & Housing Benefit</i>	Financial Management	Resources
<i>Fleet Management – External Commercial Activity</i>	Financial Management	Place
<i>School Transport - Special Education Need Disability Pupils</i>	Risk & Performance Management	People
<i>Housing Services - Disabled Facilities Grants</i>	Financial Management	Place
<i>Foster Care</i>	Risk & Performance Management	People

NB – Shaded rows indicate potential for joint working across BANES & North Somerset Councils

6. Methodology, Approach & Standards

Introduction:

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment. Scope of Internal Audit activity is not limited to the Council's financial systems and records, but extends to all functions of the Council.

Internal Audit is required to compile each year a Plan of its intended activity for approval by the Council's Audit Committee and to be compliant with the Public Sector Internal Audit Standards and designs its methodologies to ensure it meets these standards and considers all available best practice.

Independence:

A critical element of the performance of Internal Audit is independence from the activities audited. This enables the function to form impartial and effective judgment for the opinions and recommendations made.

To help ensure independence, Internal Audit is delivered through a shared service arrangement and sits independently within the Council's structures so is not fettered by any management reporting line restrictions. It also has unrestricted access to Senior Management & Members, particularly, the Leader of the Council, Chair of the Audit Committee, the Chief Executive, Strategic Directors, the Council's s151 Officer and the Council's Monitoring Officer. Additionally, the Head of Audit West (responsible for the overall arrangements) reports in his own name and acts as Chief Audit Executive for the Council.

Relationship with the Council's External Auditor:

As part of their audit of the Council's financial statements, the Council's external auditor, Grant Thornton, have a dedicated plan from which they carry out specific reviews of the Council's activities. The External Auditors carry out their own risk assessment methodology to assist in agreeing their work plan.

The working relationship between Internal Audit and the External Auditors carrying out their respective functions is important and must take account of their differing roles. The External Auditor has a statutory responsibility to express an opinion on the Council's financial statements, whilst the Internal Audit function is responsible for assessing the adequacy and effectiveness of the internal controls and advising Management accordingly.

The External Auditors whilst not formally required to seek reliance on the work of Internal Audit take into account the outcomes of all audit activity and consider their approach and plans to maximise their effectiveness and there is therefore regular contact between the two parties.

Performance Management

The function recognises the importance of regular and effective performance management to ensure an effective service is being operated. A performance dashboard is produced and reported to each key stakeholders, including the Audit Committee.

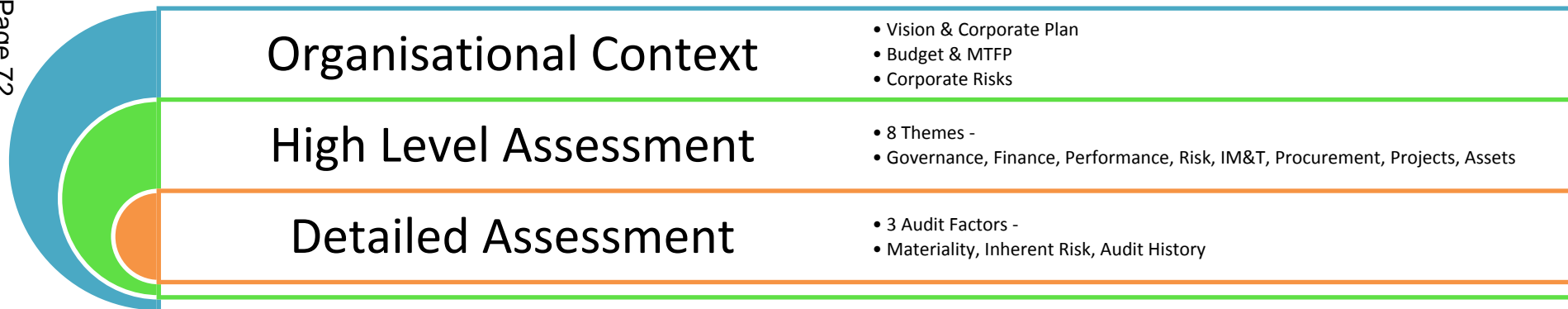
Performance Indicators and Measures are set in the following areas –

Completion of the Plan
Audit Recommendations Implemented
Assurance Levels Provided
Productivity
Customer Satisfaction
Numbers of Investigations
Unplanned Work

Preparation of the Annual Plan: Reasonable Assurance Model

Internal Audit has adopted a risk based approach in determining its Annual Plan using the reasonable assurance model.

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Unplanned Work

The plan also allows for a contingency for any unplanned work. Unplanned work consists of the investigation of irregularities and prioritised 'consultancy' work. If this contingency number of days is fully utilised and further unplanned work is required it is the intention that planned audit reviews, with the lowest risk rating, will be replaced by the unplanned work activity.

In view of the ever changing environment in which Local Government exists the Plan will be reconsidered at regular intervals to confirm that the remaining work planned is still appropriate. This process will be carried out in consultation with Senior Management and in particular the S151 Officer who acts as the principal client for the function.

Methodology:

Individual Audit Reviews:

At the commencement of each Audit Review, an Audit Brief (**Annex A**) will be prepared and issued to the relevant Head of Service/Director and responsible Manager. This Brief will identify the objectives of the review and areas to be covered.

At the conclusion of each review, an end of review meeting will be held with the Client to discuss the matters arising. Following the conclusion of the audit review work a 'draft' audit report will be issued to Management. The report will provide a graded 'Assurance Level' (see ANNEX B); a summary of identified strengths & weaknesses; and a detailed action plan recording weaknesses and recommendations.

The nominated responsible Manager is required to respond to the audit findings and recommendations and prepare an action implementation plan recording responsible officers and timescale for implementation. The management comments and implementation plan are compiled into a 'final' version of the report. The relevant Director, Chief Executive and the Audit Committee will be informed of the outcome of any work which receives a level 1 rating.

Audit Review 'Follow-Ups':

Internal Audit recommendations are subject to "follow-up" to ensure actions are implemented within the agreed timescales. The process is dependent on the risk classification and for all 'Critical' and 'High' risk recommendations Internal Audit will carry out testing to confirm implementation and report its back to the Client. Where an area has a level 1 rating this may be reported to the Audit Committee.

Investigation of Fraud & Corruption:

Senior Management have the primary responsibility for the prevention and detection of fraud and other financial irregularities. Internal Audit will however ensure it provides a lead in supporting management in this area, including design of appropriate strategies, policies and levels of control and will be alert in all their work to the possibility of theft, fraud, corruption and bribery.

Whistleblowing arrangements set out how Staff & Contractors can report concerns and Internal Audit will respond to any such reports received and conduct all investigations relating to fraud and corruption in accordance with the Council's disciplinary process.

Professional Standards

All Internal Audit functions are required to comply the professional standards set out by the Chartered Institute of Internal Auditors and endorsed by CIPFA. Evidence of this compliance is through a formal external assessment every 5 years and annual self-assessments.

Audit West received a formal external self-assessment in March 2018 and it was confirmed that it was confirming with the standards. Updates will be provided to the Audit Committee of areas for improvement on an annual basis.

AUDIT BRIEF

• Title	{Title}	
• Purpose of Review	To review the risks and internal controls related to the scope of the audit (detailed below) and provide management with an opinion on the adequacy of the framework of internal control.	
• Scope of Review	The audit will review the following key risks/control objectives: <ul style="list-style-type: none">• Ensure.....• Ensure.....• Ensure.....	
• Key Stages of Review Process	<pre>graph TD; A((Agree Brief with Client)) --> B((Compile & Issue Draft Report)); B --> C((Agree Opinion & Final Report with Client)); C --> D((Implement & Follow-up)); D --> E((Discuss Summary Findings with Client)); E --> F((Testing & Field Work)); F --> A;</pre>	
• Timeframe	Fieldwork Starts: {Date}	Draft Report: {Date}
• Key Contacts	Lead Auditor: {Name}	Lead Client: {Name}
• Service Charter & Professional Standards	Our customer service charter outlines what you can expect from us and what in turn we need from you to complete this audit. All audit work is reported to and monitored by the Audit Committee. All audit work complies with Public Sector Internal Audit Standards.	

AUDIT OPINIONS

Assurance Level 5 (Excellent)

The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary.

• Assurance Level 4 (Good)

The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary.

• Assurance Level 3 – (Satisfactory)

The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.

Page 75 Assurance Level 2 – (Weak)

The systems of internal control are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce risk exposure.

• Assurance Level 1 – (Poor)

The systems of internal control are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee.

CONTACT DETAILS

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	24 th April 2018	AGENDA ITEM NUMBER
TITLE:	Annual Report – Corporate Audit Committee	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Annual Report 2016/17		
Appendix 2 – Audit Committee Terms of Reference		

1 THE ISSUE

1.1 The Corporate Audit Committee has specific delegated powers given to it from Full Council and as such is required to report back annually to Council under its Terms of Reference.

1.2 This reports details the arrangements for the production of the report for 2017/18.

2 RECOMMENDATION

Corporate Audit Committee is asked to agree the process for production of the Annual Report of the Committee and that the current terms of reference of the committee are appropriate and no changes are proposed.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report

4 CORPORATE PRIORITIES

4.1 Completion of the Corporate Audit Committee's work assists the organisation in efficiently and effectively contributing to the Council's priorities.

5 THE REPORT

5.1 The Audit Committee is required to provide an annual report of its work to full council and Appendix 1 details last year's annual report since it was established

by the Council on 12 May 2005. It reviews the work done by the Committee over the past 12 months, its future work plan, membership and support of the Committee.

- 5.2 It is proposed that as with past years a draft annual report is prepared in conjunction with the Chair of the Committee and shared by email with all members of the committee for final comments prior to sign-off at our July meeting and submission at the September Council
- 5.3 As part of the annual review process the committee should also review its terms of reference and key areas of responsibility and agree that they are still considered appropriate and these are attached at Appendix 2.
- 5.4 Whilst the Committee's work in 2018/19 will be broadly similar to the year recently ended it will keep under close review a number of key issues including the financial resilience of the organisation through its framework for managing risk and governance.

6 RISK MANAGEMENT

- 6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 6.2 The Corporate Audit Committee has specific responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

7 EQUALITIES

- 7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CONSULTATION

- 8.1 The report was distributed to the S151 Officer for consultation.

Contact person	<i>Jeff Wring (01225 477323)</i>
Background papers	<i>None</i>
Please contact the report author if you need to access this report in an alternative format	

CORPORATE AUDIT COMMITTEE

ANNUAL REPORT TO COUNCIL 2016/17

1. INTRODUCTION

This is the twelfth annual report of the Committee since it was established by the Council on 12 May 2005. It covers the work done during the year September 2016 to August 2017.

2. REVIEW OF WORK DONE IN 2016/17

a. Financial Governance – Annual Accounts

- i. The Committee approved on behalf of the Council an unqualified set of accounts for the year ended 31 March 2016 within the statutory deadline. This included the accounts for the Pension Fund.
- ii. The Committee then considered the formal governance reports for the Council and Pension Fund submitted by the external auditors (Grant Thornton) on their audit of the accounts.
- iii. The Council report highlighted some presentational and technical changes to the accounts and recommendations to improve the Asset registers for accounting purposes. However there were no proposed changes to the General Fund Balances and Reserves. The auditors also noted that the accounts were presented promptly and that they were supported by good quality working papers.
- iv. The report on the Pension Fund Accounts highlighted that the financial statements were produced to a good standard, supported by good quality working papers and there were no material adjustments to the accounts.
- v. Both Governance reports were therefore noted and the audit of the accounts formally completed.

b. Financial Governance – Treasury Management

- i. The Committee considered the Treasury Management Outturn for 2015/16 which concluded that all prudential indicators were in line with projections and that the average rate of investment return was 0.47% which is 0.06% above the benchmark rate.
- ii. In addition the committee received an update report six months into the 2016/17 year which showed an average rate of investment return of 0.50% which is 0.13% above the benchmark rate and all actions on target in line with the strategy..
- iii. Members then reviewed the Treasury Management and Annual Investment Strategy for 2017/18. This set out the treasury limits in force, treasury

Appendix 1

management indicators, current position, borrowing requirement, prospects for interest rates and the borrowing and investment strategies.

- iv. The committee agreed that current performance is good despite this being a very difficult and challenging arena due to the uncertainties within the global financial economy and therefore scrutiny will continue to be important to ensure Council resources are invested wisely

c. External Audit -

- i. Alongside the audit of the accounts for 2015/16 the external auditor also conducted work in relation to concluding a satisfactory VFM opinion for the Council following assessments of our financial resilience, economy, efficiency and effectiveness and a broadly satisfactory review of our four main grant returns.
- ii. The external auditor also presented their new audit fees for the Council and Pension Fund as well as their audit plans for 2016/17. No significant variances were proposed from the previous audit approach and update reports on their work continued to be presented to the Committee alongside references to key national reports and reviews which could impact on the governance framework.
- iii. Finally during the year the Committee endorsed the recommended option for the future procurement of external audit by PSAA Ltd following statutory changes and we are currently awaiting the results of new five year contracts from April 2018.

d. Corporate Governance –

- i. The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review. In addition there was a review of progress against actions identified in the 2015/16 statement.
- ii. In relation to the 2016/17 review, two reports were received to inform the Committee of their role and the overall process of the review.
- iii. Whilst there were no governance failures the Council did decide to acknowledge as a significant issue the scale of the financial challenge and the pressures on all services, notably Social Care. The formal statement is then to be signed by the Leader of Council and Chief Executive prior to the statutory deadline.

e. Internal Audit –

- i. The Committee received a report on a new approach to the preparation of the Audit Plan – the reasonable assurance model – which looked at eight core themes of an organisation. It was supportive of this new methodology as well as the new style and presentation of the plan which demonstrated

Appendix 1

the linkages between the Council's priorities and the different elements of the Council's internal control framework.

- ii. The Committee was satisfied with the balance of the plan in relation to the Council's key corporate risks as well as the mix of its planned projects, unplanned commissions and follow-up of previous reports.
- iii. In relation to performance the Committee noted the performance against the plan with almost 88% of the plan completed as at the end of 2016/17 alongside a number of other key indicators such as customer satisfaction and the level of productivity at high levels.
- iv. The committee noted the annual opinion on the internal control framework and that with increased pressure on budgets, choices on the degree of internal control had to be made and there was therefore an imperceptible rise in the level of the risk being accepted.
- v. Updates were also received around the 'Audit West' partnership arrangements with the integrated service continuing to out-perform its savings targets. All staff have now successfully integrated into a single structure and wider benefits were well in advance of original projections.
- vi. The potential to continue to build on these arrangements is already being realised with new audit methodologies introduced, significant productivity gains through simplification and use of one single process across partners and increased use of areas such as Data Analytics to maximise the sharing of resources.
- vii. The committee was pleased to see the new arrangements working effectively and remains keen to support further progress so that the partnership continues to deliver value to the Council.

f. Counter Fraud -

- i. The Committee considered the annual plan for pro-active work in reducing and eliminating fraud and corruption within the Council's activities and monitored progress.
- ii. The Committee were pleased to hear of the significant and positive progress in reducing fraud, loss and error in a range of areas including Business Rates and Housing & Council Tax Benefits. The committee commended the officers on their progress and supported further activity.

g. Awareness & Briefings

- i. Updates and briefings continue to be a strong part of the Committee's approach to raising awareness of key governance issues with members and several additional briefings were given during the year at meetings. These included -

Appendix 1

- Internal Audit
- External Audit
- Treasury Management
- Risk Management
- Annual Accounts

- ii. This approach continues to be welcomed and has resulted in constructive and valuable debate of individual topic areas which will continue in 2017/18.

h. Review of Terms of Reference

- i. As part of good practice a high level desktop review was undertaken of the Committee's Terms of Reference against CIPFA's best practice model for Audit Committees. Areas previously highlighted included independent support and training and development.
- ii. In relation to independent support the committee has already tackled this through the adoption of a co-opted independent member and the level of independence to the committee will be kept under review.

3. WORK PLAN FOR 2017/18

- i. Whilst the Committee's work in 2017/18 will be broadly similar to the year recently ended it will keep under close review a number of key issues –
 - a) Financial resilience of the organisation;
 - b) Future contracting arrangements for External Audit;
 - c) Early closure arrangements for the Accounts and its implications;

4. MEMBERSHIP AND SUPPORT

- i. Following the elections in May 2015 a new Chair was selected Councillor Brian Simmons and two new Councillors – Chris Dando and Chris Pearce – were appointed to the Committee.
- ii. The Committee is supported by a number of officers notably the Head of Audit West and the Chief Financial Officer who leads on financial issues through his S151 role.
- iii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.

Appendix 2 – Corporate Audit Committee Terms of Reference

The Council delegates to the Corporate Audit Committee the following responsibilities:

1. To approve on behalf of the Council its Annual Accounts, as prepared in accordance with the statutory requirements and guidance;
2. To approve the External Auditors' Audit Plan and to monitor its delivery and effectiveness during the year;
3. To approve the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness (including the implementation of audit recommendations);
4. To consider, prior to signature by the Leader of the Council and Chief Executive, the Annual Governance Statement (including the list of significant issues for action in the ensuing year), as prepared in accordance with the statutory requirements and guidance; and to monitor progress on the significant issues and actions identified in the Statement;
5. To review periodically the Council's risk management arrangements, make recommendations and monitor progress on improvements;
6. To review periodically the Council's key financial governance procedures, i.e. Financial Regulations, Contract Standing Orders, Anti-Fraud & Corruption Policy and to recommend any necessary amendments;
7. To consider the annual Audit & Inspection Letter from the External Auditor and to monitor progress on accepted recommendations;
8. To monitor and promote good corporate governance within the Council and in its dealings with partner bodies and contractors, including review of the Council's Code of Corporate Governance and in any such other ways as the Committee may consider expedient (within the budget agreed by the Council);
9. To consider and make recommendations of any other matters relating to corporate governance which are properly referred to the Committee or which come to its attention;
10. To make an annual report to council on the work [and findings] of the Committee, including (if necessary) any measures necessary to improve the effectiveness of the Committee.

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